

Forest Heath District Council

(This report is not a key decision. This report has been subject to appropriate notice of publication under the Council's Access to Information Rules)

Report of the Cabinet Member for Economic Development and Tourism

CABINET

9 APRIL 2013

CAB13/085

BUSINESS START UP GRANT/LOAN SCHEME (Key Decision Reference: ARP13/08)

1. Summary and reasons for recommendation(s)

- 1.1 The Business start-up grant/loan scheme provides small grants and loans to new/start up businesses in FHDC in the first year of trading.
- 1.2 The scheme was set up in early 2011 in partnership with MENTA (an established Enterprise Agency based in Bury St Edmunds). The initial cost of the fund was £27,500 (including a £2,500 Management Fee). The scheme was to be split 50/50 between grants and loans but to date no applications for loans have been received.
- 1.3 Since June 2011 a total of 16 Grants have been awarded totalling £21,500, with 3 awarded in October 2012, leaving £3,500 in the current scheme. Of the 16 Grants awarded, 15 have gone to new start-up businesses and 1 to a business that had been trading (with 3 employees) for approx. 6 months. The business that had been trading when awarded a Grant achieved a Turnover of £237K in its first year, now employs 6 staff plus an apprentice and has turned over £190K in the first 6 months of its second year.
- 1.4 The scheme has either generated or supported employment (part-time in some cases) for a total of 17 people.
- 1.5 Of the 15 new start-up businesses, 10 started in 2011, 9 of which are still trading and 3 of which are now generating revenue of approaching or greater than £2K per month. Of the 5 businesses that started in 2012, 1 is already generating revenue of £2.4K per month.
- 1.6 Only one of the businesses awarded a Grant has ceased to trade so far. Applicants to this scheme have been able to benefit from other support or training offered by MENTA and this may have contributed to the low failure rate (although it is important to remember that businesses are not usually considered to be sustainable until they have successfully negotiated the first three years of trading).
- 1.7 This scheme has proved successful so far and is delivering one of the actions set out in the FHDC Strategic Plan 2012-16 (Action EG2.1.3). For these reasons, Cabinet is asked to extend the existing scheme with MENTA for a further period by allocating a further £18K (plus a Management Fee) from the Strategic Plan allocation EG2.1. Based on current take up of approximately 1 grant of £1.5K per month this would extend the scheme for about 12 months.

2. Recommendation(s)

2.1 That the Business Start-up Grant/Loan scheme be extended by a further £18,000 (plus management fee) to be funded from the Strategic Plan allocation under EG2.1.

2.1 That delegated authority be given to the Head of Economic Development and Growth in consultation with the Portfolio Holder for Economic development and Tourism to agree the details of the extension of the scheme with the scheme provider.

Contact details

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Portfolio holder

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3. How will the recommendations help us meet our strategic priorities?

3.1 The FHDC Strategic Plan 2012-16 includes task EG2.1 which states "Provide increased support to businesses (alongside support from the LEP(s))". Action 2.1.3 states "Design a series of financial support packages (grants and/or loans) in some circumstances. To help new and existing businesses to start-up, exploit new business opportunities and invest in equipment and training of key personnel.

4. Key issues

4.1 The Business start-up grant/loan scheme provides small grants and loans to new/start-up businesses in FHDC in the first year of trading.

4.2 The scheme was set up in early 2011 in partnership with MENTA (an established Enterprise Agency based in Bury St Edmunds). The initial cost of the fund was £27,500 (including a £2,500 Management Fee). Initially the fund was split in two with £12,500 to support Grants and £12,500 available to support Loans, however since February 2011 there has been no applications received for Loan funding and consequently more of the available monies have been diverted into Grant support. The grant element of the scheme is managed by MENTA themselves and the Loan element was to be managed and operated by the Ipswich and Suffolk Credit Union (as they are registered with the FSA).

4.3 There are strict criteria that determine how the Grant may be used and applicants are required to submit a viable business plan to MENTA as part of the evaluation process in support of their application for support. Grants are made on a match funded basis up to a maximum of £1500 (Loans were available up to a maximum of £5,000).

- 4.4 Since June 2011 a total of 16 Grants have been awarded totalling £21,500, with 3 awarded in October 2012, leaving £3,500 in the current scheme. Of the 16 Grants awarded, 15 have gone to new start-up businesses and 1 to a business that had been trading (with 3 employees) for approx. 6 months. The business that had been trading when awarded a Grant achieved a Turnover of £237K in its first year, now employs 6 staff plus an apprentice and has turned over £190K in the first 6 months of its second year.
- 4.5 Of the 15 new start-up businesses, 10 started in 2011, 9 of which are still trading and 3 of which are now generating revenue of approaching or greater than £2K per month. Of the 5 businesses that started in 2012, 1 is already generating revenue of £2.4K per month.
- 4.6 Only one of the businesses awarded a Grant has ceased to trade so far. Applicants to this scheme have been able to benefit from other support or training offered by MENTA and this may have contributed to the low failure rate (although it is important to remember that businesses are not usually considered to be sustainable until they have successfully negotiated the first three years of trading).
- 4.7 The scheme has either generated or supported employment (part-time in some cases) for a total of 17 people.
- 4.8 This scheme has proved successful so far and is delivering one of the actions set out in the FHDC Strategic Plan 2012-16 (Action EG2.1.3). For these reasons, Cabinet is asked to extend the existing scheme for a further period by allocating a further £18K (plus a Management Fee) from the Strategic Plan allocation EG2.1. Based on current take up of approximately 1 grant of £1.5K per month this would extend the scheme for about 12 months.

5. Other options considered

5.1 N/A

6. Community impact

6.1 **Crime and disorder impact** *(including Section 17 of the Crime and Disorder Act 1998)*

6.1.1 N/A

6.2 **Diversity and equality impact** *(including the findings of the Equality Impact Assessment)*

6.2.1 N/A

6.3 **Sustainability impact** *(including completing a Sustainability Impact Assessment)*

6.3.1 N/A

6.4 **Other impact** *(any other impacts affecting this report)*

6.4.1 N/A

7. **Consultation** *(what consultation has been undertaken, and what were the outcomes?)*

7.1 N/A

8. **Financial and resource implications** *(including asset management implications)*

8.1 £18,000 plus management fee to be allocated from the Strategic Plan allocation EG2.1.

9. **Risk/opportunity assessment** *(potential hazards or opportunities affecting corporate, service or project objectives)*

Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	High/Medium/Low		High/Medium/Low
Insufficient businesses take up the offer of a grant	Low	Promotion of the scheme can be undertaken if take up rates are poor.	Low

10. **Legal and policy implications**

10.1 N/A

11. **Ward(s) affected**

11.1 All

12. **Background papers**

12.1 FHDC Strategic Plan 2012-16.

13. **Documents attached**

13.1 None